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JONES WASH 12.3.342,111
08/19/94

RENTAL AGREEMENT

THIS RENTAL AGREEMENT, made as of the 19th day of August, 1994 between JONES WASHINGTON STEVEDORING COMPANY, a Washington corporation ("Landlord") and SOUND DELIVERY SERVICE, a Washington corporation ("Tenant"). Landlord and Tenant agree as follows.

RECITALS

- A. Landlord owns the real property described in Exhibit A to this Rental Agreement ("Property") and is willing to rent to Tenant the portion of the Property shown on Exhibit B to this Rental Agreement ("Premises"). The Premises may change to another location on the Property by Landlord's sole discretion. The Property includes the warehouse building designated as the Jones Maritime Building ("Building"), which is a rectangular structure measuring approximately 400 feet by 330 feet.
- B. This Rental Agreement replaces the "Intent to Rent" document which was signed between Jones and Sound on August 12, 1994.
- C. Tenant is willing to rent the Premises from Landlord in accordance with the terms of this Rental Agreement.

1. Rental

- 1.1 Tenant has inspected and studied the Premises and accepts the Premises for rent in the condition existing on the date of execution of this Rental Agreement, AS IS, including any apparent or latent defects in the Premises. Without limiting the foregoing generality, Tenant acknowledges that Landlord has disclosed to Tenant that the Premises are constructed upon marshy and filled soil and may be subject to differential settling and Tenant has accepted the Premises for rent, notwithstanding such soils conditions. Without affecting Tenant's acceptance of the Premises, AS IS, the parties hereby acknowledge and agree that neither party shall incur liability to the other of any kind whatsoever because of any latent defect in the Premises. Landlord hereby rents the Premises to Tenant and Tenant hereby rents the Premises from Landlord.
- 1.2 If Tenant is relocated, Landlord may choose to immediately move Tenant at Landlord's expense, or allow Tenant the use of both new and old areas for a period of 30 days so that Tenant may move to the new space at Tenant's expense. If within 30 days Tenant has not moved all of Tenant's property and property under Tenant's control, Landlord may complete the move for Tenant and Tenant agrees to pay all charges incurred by Landlord. Landlord will not be held responsible for any damages which occur as a result of Landlord's moving Tenant's property or property under Tenant's control.

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2. Term

- 2.1 This is a month-to-month rental with no minimum or maximum number of months and shall commence September 1, 1994. Each month will begin on the first day of the month and end on the last day of the same month. Landlord and Tenant hereby agree that Tenant commenced using the Premises earlier than the commencement date.

3. Rent

- 3.1 Tenant shall pay Landlord a base monthly payment of **Two Thousand One Hundred U.S. Dollars (U.S.\$2,100.00)**. Except for the initial payment upon Rental Agreement signing, all monthly rent payments shall be paid by Tenant in advance on or before the 5th calendar day of the month for which the rent is payable. If Tenant occupies the Premises prior to the commencement date, Tenant shall pay rent and all other expenses as described within this Rental Agreement on a pro rata basis.
- 3.2 Rental and any other payments hereunder shall be made by United States mail or in person to Jones Washington Stevedoring Company, P.O. Box 3736, Seattle, WA 98124.
- 3.3 If Tenant does not make timely payment to Landlord of any sum to be paid by Tenant to Landlord hereunder (including, but not limited to, payments of rent), each such delinquent sum shall bear interest at the rate of Seafirst Bank Prime Plus Two Percent per annum (not less than 12%) from the date due until fully paid. The delinquent charge mentioned in this paragraph shall not apply to any rental payment received by Landlord prior to the first day of the rent month for which the rent is payable.
- 3.4 (a) The base monthly rent shall remain the same for the first 12 (twelve) months. Starting the 13th month (and thereafter each 12 months as applicable), an amount for general price increase called "Escalation Factor" shall be added. The Escalation Factor shall be calculated by multiplying the then current rent by the percentage difference between the recognized U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI") for the "Pacific Cities/Seattle Subentry," for the preceding 12 months. The Pacific Cities/Seattle Subentry CPI is compiled semi-annually using data collected in January and July of each year in the Seattle statistical area on seven major economic components. If this Index is materially changed or ceases to exist after the date of this Rental Agreement's signing, Landlord shall substitute an index which is published by the U.S. Department of Labor Bureau of Labor Statistics or similar agency and which is most nearly equivalent to the Index in effect on the date of this Rental Agreement's signing. Landlord shall notify Tenant of the substituted index, which shall be used to calculate the Escalation Factor.

(b) The monthly rent determined in (a), shall be known as the "Adjusted Monthly Rent" and then recognized as the amount to which the next subsequent Rental Year's Escalation Factor shall be added.

(c) In no event shall the Adjusted Monthly Rent be decreased below the rent payable for the Rental Year prior to the adjustment.

4. Quiet Enjoyment

4.1 Tenant, during the term of this Rental Agreement, shall have the exclusive right of possession of the Premises and the quiet enjoyment thereof, subject to Tenant's performance of its obligations hereunder and the terms of this Rental Agreement.

4.2 Landlord, during the term of this Rental Agreement, shall have the exclusive right of possession of Landlord's Property, except Premises, and the quiet enjoyment thereof for itself and for its other tenants, if any, without interference or disturbance by Tenant or Tenant's use of the Premises.

5. Use and Restrictions of Use of Premises

5.1 Tenant shall be entitled to use the Premises 24 hours daily for its own activities, only for the receipt and delivery of steel products. Significant other uses require the prior written consent of Landlord, which consent will be decided in Landlord's sole discretion.

5.2 Tenant shall keep the Premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the Premises by Tenant hereunder.

5.3 Tenant shall keep the Premises clean and in a sanitary condition to the satisfaction of the Health and Fire Departments of the City of Seattle; and it shall comply with each and all statutes of the State of Washington and federal authorities, ordinances of the City of Seattle, and any rules or regulations of any other governmental body having jurisdiction as now or hereafter enforced. Without limiting the foregoing, Tenant shall keep the Premises free of fire risks to the satisfaction of any fire department with jurisdiction over the Premises. The Premises truck door shall be closed and lighting turned off when not in use by Tenant. The Tenant will provide on site pest control at its sole expense during the term of this Rental Agreement.

5.4 Tenant shall use the Premises in a manner which does not, in the opinion of Landlord, adversely impact the Premises or the property other than the Premises ("Landlord's Property") or the use or occupancy of Landlord's Property by Landlord or any tenant or permittee of Landlord. Tenant will not place or store any product or other items within four feet from the walls of the building and within six feet from the roof supporting posts.

- 5.5 Subject to the limitation of liability set forth in Paragraph 1 "Rental", Tenant shall use the Premises in such a manner as not to actually or potentially adversely affect the structural integrity of the building in which the Premises are located. Tenant shall indemnify, defend and hold Landlord harmless from and against any breach of this Paragraph 5.5.
- 5.6 In using the Premises, Tenant shall not cause, suffer or permit the discharge or emission of any offensive or hazardous substances, pollutants, loud or continuous sounds or strong or offensive odors on or from the Premises. If any dispute arises between Landlord and Tenant regarding such discharge or emission, the dispute shall be submitted to a qualified environmental professional selected by Landlord in the field of dispute at hand for his determination, which determination shall be binding upon Landlord and Tenant. If the professional determines that such prohibited discharge or emission exists, the Tenant will take immediate action to eliminate or otherwise rectify the cause of the offensive or hazardous substances, sounds or odors.
- 5.7 In using the Premises, Tenant shall not cause, suffer or permit the storage of any hazardous substances, flammable materials, explosive materials or anything else which creates a health or safety hazard to Landlord or its tenants, if any, Landlord's Property or to any other property or person. Any environmental damage and/or costs caused by occupancy activities of Tenant shall be the liability of the Tenant who shall bear all costs to return Property to a condition existing just prior to commencement of Tenant's occupancy of the Premises.
- 5.8 Tenant agrees that it shall not release or deposit on, into or near the Property any contaminants into the ground, any drainage system or the atmosphere; and Tenant shall, at its own expense, including cleanup certification expenses, arrange for the removal and cleanup of such contaminants released or deposited.
- 5.9 Tenant agrees that its use of the common area will be conducted in a harmonious manner with all other authorized users. Landlord agrees to endeavor to resolve any complaints of Tenant caused by any non-harmonious usage by other users of this common access route. Tenant agrees to cooperatively maintain all security of any gates, doors and fencing serving the common access routes.
- 5.10 In using the Premises, Tenant shall not cause, suffer or permit any activity which results in vibration or any other impact which unreasonably disturbs Landlord's or its tenants, if any, quiet enjoyment of Landlord's Property or which adversely affects any other property or person.
- 5.11 In using the Premises, Tenant shall not cause, suffer or permit any activity which results in a nuisance to Landlord or its tenants, if any, or Landlord's Property or to any other property or person.

5.12 Landlord shall make available to Tenant reasonable vehicular access and egress between the Premises' south wall truck door of Tenant and Second Avenue S.W., as approximately indicated on attached Exhibit B. This access is through Premises of Landlord and will also serve as common access to Landlord's needs and the needs of other tenants of Landlord. Except for trucks loading or unloading, parking and storage are not allowed or available to Tenant in this access and egress area.

5.13 Parking of all vehicles is required to be within the confines of Tenant's Premises or "Additional Area" rented or spaces specifically designated by Landlord for Tenant's use. Parking of vehicles outside of Tenant's Premises or "Additional Area" rented or other designated spaces is not allowed and Tenant agrees that Landlord may remove said vehicles at Tenant's expense.

6. Taxes

6.1 Tenant hereby covenants and agrees to pay all utilities and all service charges for electricity, natural gas, water, sewage, janitorial or garbage, and all other similar utility against the Premises during the term of this Rental Agreement. Tenant acknowledges that utility services and roof access for Landlord's Property may be located in the Premises and that Landlord shall have a key to the Premises for access to such utilities and roof and may enter the Premises at any time in connection with such utilities and roof. Tenant shall keep available access to any services and roof manladder in the Premises.

6.2 Tenant acknowledges that no toilet facilities are located on the Premises or are available on the Property to the Tenant. Tenant shall at its expense, install and maintain in a sanitary condition portable toilet facilities.

6.3 If Tenant requires telephone service, Tenant will obtain from the telephone company separate telephone line service to the Premises with the service installation process subject to Landlord approval as to location and installation method. Tenant will pay all resultant charges.

6.4 Tenant acknowledges that the inside of the existing building comprising part of the Premises is not equipped with surface water drainage facilities. Contaminated or otherwise impure water created by Tenant's activities, shall be prevented from entering into any drainage system on or near the Landlord's Property. Tenant shall pay the cost of designing and constructing adequate facilities to accommodate such water as is created by Tenant's activities. Such water facilities shall be part of Tenant's Improvements and shall be reviewed and approved by Landlord prior to the commencement of Tenant's Improvements. Contaminants in such water shall be removed and disposed of by Tenant offsite of Landlord's Property in a lawful manner.

6.5 Tenant acknowledges that the sprinkler system located in the Premises (which is part of the sprinkler system for the entire Property) is a "wet" system, which is subject to freezing. Tenant shall conduct its activities at the Premises in a manner, such as keeping exterior doors closed when not

momentarily in use, as well as using natural gas heating to prevent freezing of the sprinkler system or any other damage to or interruption of the operation of the sprinkler system whether or not caused by Tenant. Landlord will maintain the Premises sprinkler system.

- 6.6 Landlord shall pay all real property taxes and assessments now or subsequently levied against the property which are due and payable during the term of this Rental Agreement.

In addition to the rent, Tenant shall, based on Tenant's occupied space, pay Landlord a proportionate share of all property taxes and assessments levied against the property. One-Twelfth (1/12) of the Tenant's proportionate share plus an additional 10% common area fee shall be added to the Tenant monthly rent and is due with the rent.

7. Tenant's Improvements and Alterations

- 7.1 Tenant shall not construct improvements ("Tenant's Improvements") upon the Premises without first obtaining Landlord's written approval and, if such approval is granted, the Tenant's Improvements shall be at the sole cost and expense of Tenant, free of all mechanics' and materialmen's liens and in good and workmanlike condition, free of defects of material and workmanship in accordance with the scale drawings of Tenant's Improvements which are approved by Landlord prior to the commencement of the construction of Tenant's Improvements. Such scale drawings shall be accompanied by such additional descriptive information (which shall also require the written approval of Landlord) as Landlord may reasonably require.
- 7.2 The approval of Tenant's Improvements by Landlord shall not be construed to impose liability upon Landlord in any manner whatsoever or be construed to relieve Tenant of Tenant's obligations otherwise specified in this Rental Agreement.
- 7.3 Tenant shall complete Tenant's Improvements as soon as practicably possible following the date of Landlord's written approval.
- 7.4 During the construction of Tenant's Improvements, Tenant will permit Landlord, its agents and authorized representatives, access to the Premises for purposes of observation, inspection and review.
- 7.5 Tenant shall procure and/or pay for all necessary permits, inspection fees, licenses, insurance coverage during construction, design and engineering services and construction required to prepare the Premises for occupancy as described above. Tenant guarantees the work against defective workmanship and materials. Upon written notice of any such defects, Tenant will make such necessary repairs at Tenant's expense.
- 7.6 Tenant does hereby agree to provide to Landlord, proof of full payment to all mechanics and materialmen for any of Tenant's Improvements to the Premises.

- 7.7 Except for Tenant's Improvements described in Paragraph 7.1, to which Landlord has consented, Tenant shall not alter, improve or add to the existing improvements on the Premises at the commencement of this rental and shall not install or attach any fixtures or equipment without approval of Landlord, which consent shall not be unreasonably withheld. Any alterations, improvements, additions, installation or attachments by Tenant, including Tenant's Improvements shall include all improvements to the Premises by Tenant, including any such improvements made by Tenant without Landlord's consent and in breach of this Rental Agreement by Tenant.
- 7.8 Subject to the limitations on liability set forth in Paragraph 1 "Rental", at the termination of or expiration of this Rental Agreement, Tenant shall return the Premises and any of the Property affected by Tenant's use of the Premises in substantially the condition received, as improved by Tenant pursuant to the consent of Landlord, less any Tenant's Improvements which Landlord requires Tenant to remove from the Premises. The foregoing condition shall not be construed to obligate Tenant for any condition resulting from normal wear and tear. If Landlord elects, Landlord may have a report prepared by an engineer selected by Landlord when Tenant occupies Premises, and Landlord, if he so elects, may have a report prepared by the same engineer if available (or another engineer, if the engineer preparing the original report is not available) to document the condition of the Premises and any of the Property affected by Tenant's use of the Premises at the termination or expiration of the Rental Agreement. The engineer shall reasonably determine the difference between the two conditions and shall determine the work which Tenant must perform to put the Premises and any of the Property affected by Tenant's use of the Premises in the agreed condition. The decision of the engineer shall be binding upon the parties. The engineer shall be selected by Landlord. All Tenant's Improvements to the Premises shall, subject to the right of Landlord to require removal at termination or expiration of the Rental Agreement, become the property of Landlord at the expiration or termination of the Rental Agreement without any obligation of Landlord to pay compensation to Tenant for such Tenant's Improvements. However, Tenant shall remove any portion or all of Tenant's Improvements from the Premises prior to the expiration or termination of this Rental Agreement in accord with Landlord's request and shall repair any damage to the Premises resulting from the removal of such Tenant's Improvements at Tenant's sole cost and expense. Landlord shall give notice to Tenant no less than 60 (sixty) days prior to the expiration of the term of the Rental Agreement (or, if the Rental Agreement is terminated because of Tenant's default, no later than five business days after Landlord's notice of termination of this Rental Agreement) of any Tenant's Improvements that must be removed by Tenant. The foregoing obligation of Tenant shall survive the termination or expiration of this Rental Agreement.

8. Maintenance of Premises

- 8.1 Tenant shall, at Tenant's sole expense, keep the Premises, including all Tenant's Improvements, in good working order and a properly maintained condition, including, but not by way of limitation, all doors, windows, partitions, fixtures, equipment and appurtenances thereof, to include lighting, heating and plumbing fixtures, elevators, and any Tenant's air conditioning system, if such items are on the Premises. Tenant shall replace all lighting elements when burned out. Without limiting the generalities thereof, Tenant shall keep the glass of all windows and doors clean and presentable; immediately replace all broken glass in the Premises; at reasonable intervals paint or refinish the interior of the Premises, including entrances; make any necessary repairs to or replacements of all door closure apparatuses and mechanisms; keep all plumbing clean and in a good state of repair, including pipes, drains, basins and the portions of the heating system within the walls of the Premises; keep all utilities within the Premises in a good state of repair; and maintain the entire site of the Premises, so as to preserve the quality, condition and appearance of the Premises. Landlord shall maintain the roof and the foundations and the exterior walls of the Premises. However, Tenant shall be required to pay the cost of repairing any damage done to the roof, the foundation and the exterior walls of the Premises arising out of Tenant's use of the Premises.
- 8.2 If Tenant fails to maintain the Premises in the condition specified in Paragraph 8.1 (after written notice of default and failure to cure such default within 30 days, except for emergency repairs which shall require no notice), Landlord shall have the right, but not the obligation, to cause the Premises to be put into such condition. As additional rent, Tenant shall pay all costs incurred by Landlord to put the Premises into such condition upon receipt of written statements from Landlord, including interest at Seafirst Bank Prime Plus Two Percent per annum (not less than 1.2%), as provided above. Landlord shall have the right to enter the Premises at any time to put the Premises into such condition.

9. Indemnification and Insurance

- 9.1 Landlord shall not be liable to Tenant or to any person, firm or corporation for damage caused by, or resulting from Tenant's use or occupancy of the Premises, including, but not limited to, damage or loss caused by, or resulting from, any act or omission, whether negligent or otherwise, of Tenant, or any officer, agent, employee, contractor, guest, invitee, customer or visitor of Tenant. Further Tenant agrees to defend, hold harmless and indemnify Landlord for all claims resulting herefrom.
- 9.2 Landlord currently insures the Property, including the Premises, pursuant to a casualty insurance policy for fire and extended coverage ("Landlord's Casualty Insurance"). During the term of this Rental Agreement, Landlord shall keep Landlord's Casualty Insurance in effect. Landlord will provide Tenant with a Waiver of subrogation pertaining to this insurance.

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9.3 Tenant shall maintain in force all risk comprehensive general liability insurance in the minimum amount of ~~Two~~ ^{ONE} Million U.S. Dollars (U.S. \$2,000,000.00) during the term of this Rental Agreement. Such comprehensive general liability insurance shall list Landlord as additional insureds. Such insurance shall provide that such policies may not be cancelled without 30 (thirty) days prior written notice to Landlord. Such insurance shall provide its coverage on an occurrence basis rather than on a claims made basis.

9.4 Tenant will provide its workers State of Washington Workers' Compensation Insurance.

9.5 Tenant will also carry fire and extended coverage insurance to protect its ^{17AS} ~~its~~ and equipment while located on the Premises. Tenant will provide lord with a Waiver of Subrogation pertaining to this insurance.

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it will provide Landlord evidence of all its insurance coverage as
ed by this Rental Agreement.

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After notice from Landlord, Tenant will allow Landlord or Landlord's agents access to the Premises at all reasonable times for the purpose of building maintenance and at any time for the other purposes specified in this Rental Agreement.

11. Partial or Substantial Loss

11.1 In the event that during the term hereof the Premises are damaged (and repair will require more than 90 days) or destroyed by any cause insured against by Landlord (such substantial damage or destruction herein called a "Substantial Loss"), then Tenant shall have the right to:

- (a) Terminate this Rental Agreement effective as of the date of such Substantial Loss, by giving to Landlord within 10 days of the occurrence of such Substantial Loss written notice of such termination, and Tenant shall promptly and expeditiously vacate the Premises and thereupon shall not have any future rent obligations hereunder; or
- (b) Request in writing that Landlord promptly repair and restore the Premises to its condition prior to the damage or to such other condition as agreed in writing by the parties ("repair and restore") at Landlord's sole cost and expense. If Landlord elects not to repair and restore, the Tenant will be notified in writing by Landlord within 10 days of receiving Tenant's request, and this Rental Agreement will be considered by the parties as terminated on receipt of Landlord's response confirming the non repair intention of Landlord. Tenant shall thereupon promptly and expeditiously vacate the Premises and thereupon shall not have any future rent obligations hereunder. But if Landlord elects to repair and restore, written notice will be given Tenant

within 10 days of Landlord's receipt of Tenant's request, and the necessary work at Landlord's sole expense and cost shall commence promptly giving reasonable consideration to the obtaining of building permits, completing repair contractual agreements and similar reasonable necessities and arrangements. If Landlord has elected to repair and restore the damage, and while the Interior Premises continues not yet repaired and restored, rent shall be prorated from the date of occurrence of Substantial Loss based on the number of square feet of Interior Premises area remaining available for reasonable occupancy by Tenant, with rent on repaired and restored Interior Premises area resuming when repaired and restored.

- 11.2 In the event that during the term hereof the Premises are damaged (and repair will require less than 90 days) by any cause insured against by Landlord (such damage herein called a "Partial Loss"), then Landlord will advise Tenant in writing within 10 days of receiving written notice from Tenant of the occurrence of such damage that Landlord either will or will not repair and restore Premises to its condition prior to damage or such other condition as agreed in writing by the parties at Landlord's sole cost and expense. Any insurance proceeds payable as a result of the damage shall be the property of the Landlord. While the Interior Premises continue not repaired and restored, rent shall be prorated as of the date of receipt of written notice by Tenant to Landlord of such damage based on the number of square feet of Interior Premises area remaining available for reasonable occupancy by Tenant, with rent on the repaired and restored Interior Premises area resuming when repaired and restored.
- 11.3 If any damage to the Premises occurs and the cost of repairing such damage is more than Twenty-Five Thousand U.S. Dollars (U.S. \$25,000.00) and such damage is not insured against by Landlord, Landlord may terminate this Rental Agreement by giving Tenant written notice which will specify the Rental Agreement termination date and which date shall not be within 14 days of receipt of termination notice by Tenant. Tenant may avoid or void this Rental Agreement termination notice by agreeing in writing to pay the entire cost of repairing and restoring such damage. Until the damage is repaired and restored (if this Rental Agreement is not terminated), rent shall be prorated as in the case of a Partial Loss. Upon receipt of Tenant's written agreement to pay the entire cost of repairing and restoring such uninsured damage, Landlord will promptly begin the necessary activities to repair and restore the damage. Upon completion of repairing and restoring, Landlord will provide Tenant a detailed invoice of Landlord's necessary expenditures to repair and restore such uninsured damage. Tenant shall pay the invoice within 30 days of receipt. If Landlord has not received payment in full within the specified time, Landlord may terminate this Rental Agreement by giving Tenant written notice, which will specify the Rental Agreement termination date and which date shall not be within 14 days of receipt of notice by Tenant. In the event Landlord has not elected to terminate this Rental Agreement and Tenant has not agreed to pay the entire cost of repairing and restoring the uninsured damage, then Tenant may terminate this Rental Agreement by delivering a written 30 day

notice of termination to Landlord unless Landlord has already notified Tenant in writing of Landlord's intention to promptly repair and restore the uninsured damage at Landlord's sole cost and expense.

12. Eminent Domain and Requisition of Use

In the event that during the term hereof any interest in the Premises, whether in land, building or improvements, is taken as a result of the exercise of the power of eminent domain or requisition of use thereof (herein a "Taking"), and such Taking substantially impairs Tenant's tenantability of the balance of the Premises, then this Rental Agreement shall terminate in respect of the entire Premises on the date title is vested in or partial possession is taken by the condemnor or requisitioning body, whichever first occurs, pursuant to the eminent domain or requisition proceedings.

Such Taking shall be deemed to have substantially impaired Tenant's tenantability of the balance of the Premises in any case where the area of the Premises after such Taking is less than eighty percent (80%) of the originally rented area of such Premises or the square foot floor area of the improvements thereon is less than eighty percent (80%) of the originally rented square foot floor area thereof; or the area so remaining is so situated that the access road serving the Premises, or ingress or egress to existing streets, are no longer available for Tenant's use as a matter of right, not sufferance. If such Taking does not substantially impair Tenant's tenantability of the balance of the Premises, then this Rental Agreement shall terminate only in respect of the portion of the Premises affected by such Taking, and the amount of the rental payable hereunder shall be reduced by the amount of the rental proportionate to the portion of the Premises subject to such Taking, effective upon the date title is vested in, or possession is taken by, the condemnor or requisitioning body, whichever first occurs, pursuant to the eminent domain proceedings or rentals for requisition of use shall be distributed between Landlord and Tenant as follows:

- (a) First, Landlord shall receive any amount awarded to compensate for repairs necessary to restore the balance of the Premises to use;
- (b) Next, Landlord receive all sums attributable to compensation for the Taking of the affected portion of the Premises;
- (c) Next, Tenant shall receive all sums specifically defined to compensation for any of its reasonable moving expenses to a subsequent local location resulting from such Taking; and
- (d) Landlord shall receive any remaining balance.

Upon the expiration of any requisition of any such terminated unit or property during the term of this Rental Agreement, Landlord agrees to offer to rent same to Tenant, under the terms and conditions hereof (including

rental) for the unexpired balance of the former term hereunder regarding such unit or property.

13. Default

- 13.1 If Tenant shall fail to keep and perform any of the covenants and agreements herein contained, and if after written notice from Landlord specifying such default and permitting Tenant 10 days to remedy a monetary default and 30 days to remedy a non-monetary default, Tenant shall have failed to remedy such default, then this Rental Agreement shall immediately terminate and Tenant shall vacate Premises with 30 days.
- 13.2 If Landlord shall fail to keep and perform any covenants and agreements herein contained, and if after written notice from Tenant specifying such default and permitting Landlord at least 10 days to remedy a monetary default, and at least 30 days to remedy a non-monetary default, Landlord shall have failed to remedy such default, then Tenant may cancel this Rental Agreement, upon giving the notice required by law.
- 13.3 Upon Landlord giving the notice required by law, Landlord shall re-enter the Premises, but notwithstanding such re-entry by Landlord, the liability of Tenant for the rent provided for herein shall not be extinguished and Tenant covenants and agrees to make good to the Landlord any deficiency arising from a re-entry and re-letting of the Premises at a lesser rental or other less favorable terms than herein agreed to through such date, plus reasonable costs of renovating the Premises for new tenants and re-letting, which amounts Tenant shall pay each month in the manner required for rent hereunder. Notwithstanding the foregoing, Tenant shall pay interest to Landlord as provided herein with respect to any monetary default.

14. Insolvency

- 14.1 It is hereby agreed that if Tenant or Subtenant (as allowed in accord with Paragraph 15) becomes either insolvent or bankrupt, or if a receiver is appointed for Tenant or Subtenant (as allowed in accord with Paragraph 15), this Rental Agreement shall immediately terminate and Tenant shall vacate Premises within 10 days.
- 14.2 In the event this Rental Agreement is terminated due to events described in Paragraph 14.1, Landlord shall immediately re-enter the Premises, but notwithstanding such re-entry by Landlord, the liability of Tenant for the rent provided for herein shall not be extinguished and Tenant covenants and agrees to make good to the Landlord any deficiency arising from a re-entry and re-letting of the Premises at a lesser rental or other less favorable terms than herein agreed to through such date, plus all unamortized amounts for Tenant improvements which Landlord paid for and reasonable costs of renovating the Premises for new tenants and re-letting, which amounts Tenant shall pay each month in the manner required for rent hereunder. Notwithstanding the foregoing, Tenant shall pay interest to Landlord as provided herein with respect to any monetary default.

15. Assignment and Sublease

Tenant shall not assign this Rental Agreement, except to an affiliate or subsidiary of Tenant, or sublet the Premises or any part thereof without the prior written consent of Landlord, which consent may be withheld, in Landlord's sole discretion. Landlord shall not withhold its consent to assignment by Tenant of subleasing by Tenant if all of the following conditions are met: (i) after any assignment or subleasing, Tenant shall remain primarily liable to Landlord for full and strict performance of all of the obligations of the Tenant under the Rental Agreement; (ii) the financial ability, creditworthiness and operating ability of any assignee or subtenant shall be acceptable to lender with a superior mortgage agreeing to recognize this Rental Agreement if the Landlord, in its reasonable discretion; (iii) the proposed assignee or subtenant shall agree that if Tenant fails to perform the primary obligations under the Rental Agreement to Landlord and Landlord terminates the Rental Agreement because of such failure to perform, the assignment or sublease shall be terminated concurrently with the termination of the Rental Agreement by Landlord; (iv) no amendment of the Rental Agreement which is unacceptable to Landlord, in its sole discretion, shall be required in connection with the proposed assignment or sublease; (v) whether or not Landlord consents to any proposed assignment or subleasing, Tenant shall pay all costs incurred by Landlord in evaluating the proposed assignee or subtenant and shall provide Landlord with all information with respect to the proposed assignee or subtenant concurrently with Tenant's written request for consent by Landlord; and (vi) Landlord shall not be required to consent to any assignment or sublease which permits Tenant to make a profit in connection with the assignment or sublease; (vii) the term of any assignment or sublease must not extend beyond the last day of the term of this Rental Agreement; (viii) if assignee or subtenant violates any specific term or obligation under this Rental Agreement, the Landlord may cause Tenant to evict assignee or subtenant and/or terminate this Rental Agreement at its option; (ix) Tenant will not grant to assignee or subtenant any rights that the Landlord has not granted to the Tenant; (x) Tenant is jointly and severally responsible for any acts or omissions of invitees and subtenants and invitees of subtenants permitted by Tenant to be on or about the Premises.

16. Lender Consent

This Rental Agreement shall not be amended or modified in any manner whatsoever without the prior written consent of any lender now or hereafter having a recorded mortgage instrument of public record which affects the Premises, this Rental Agreement or the rent payable by Tenant with respect to this Rental Agreement. Tenant shall fully cooperate with Landlord in connection with Landlord's efforts to obtain any such consent of lender.

17. Subordination

This Rental Agreement shall be inferior to and subordinate to any mortgage which affects the Premises whether such mortgage affects the Premises prior to, concurrently with, or subsequent to the date on which this Rental Agreement affects the Premises. Tenant's agreement with respect to the priority for this Rental Agreement stated in the foregoing sentence is subject to the agreement of any lender with a superior mortgage agreeing to recognize this Rental Agreement if the mortgage is foreclosed and Tenant is not in default hereunder. Upon request by Tenant, any such lender shall execute and deliver to Tenant a Subordination and Non-Disturbance Agreement in form reasonably required by Tenant to effectuate the protection of Tenant mentioned in this paragraph.

18. Notices

Any notice required to be given by either party to the other shall be in writing and shall be mailed certified mail, return receipt requested, postage prepaid or regular mail and addressed as follows:

If to Landlord: Jones Washington Stevedoring Company
P.O. Box 3736
Seattle, WA 98124

If to Tenant: Sound Delivery Service
P.O. Box 58722
Seattle, WA 98138

or to such other address as either Landlord or Tenant may hereafter designate in writing to the other from time to time. Notices shall be deemed given and effective upon deposit in the United States mail.

19. Holding Over

20. Entire Agreement

This Agreement supersedes all prior oral discussions and written matter of the parties concerning the subject matter hereof, and shall not be varied except by a writing concurrent with or subsequent hereto executed by the parties hereto.

21. Covenants Binding on Assigns

The covenants and agreements of this Agreement shall be binding not only upon the Landlord and Tenant, but also upon their permitted successors and assigns.

22. Construction of Terms

Time is of the essence hereof. The language in all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning and not strictly for or against Landlord or Tenant. Paragraph headings in this Agreement are for convenience only and are not to be construed as a part of this Agreement or in any way defining, limiting or modifying the provisions hereof.

23. Attorney's Fees

If either party brings any action or proceeding to enforce, interpret, protect or establish any right or remedy pursuant to this Rental Agreement, the prevailing party shall be entitled to recover all costs and reasonable attorney's fees as the court may allow. Arbitration is an action or proceeding for the purpose of this provision.

24. Net Rental

It is intended by Landlord that this Rental Agreement is absolutely net to Landlord, without any expense of any nature to Landlord unless specifically provided herein. Tenant agrees that it was not made aware of the Premises described in attached Exhibit B by any real estate agency. Landlord was not made aware of Tenant's interest in the Premises described in Exhibit B by a real estate agency. Contact between Tenant and Landlord was made by Tenant's personnel to Landlord's personnel. Neither Tenant nor Landlord have any knowledge that any real estate agency will be properly entitled to a commission on the signing of this Rental Agreement. Tenant shall be responsible for any loss or damage connected with or related to the Premises, including but not limited to those items of expense or damage specifically set forth herein.

25. Estoppel Certificates

Upon request by Landlord, Tenant shall execute and deliver to Landlord (or any purchaser, lender or other interested party designated by Landlord), an estoppel certificate which shall provide the following information and such other information as Landlord shall reasonably request: (a) the date on which this Rental Agreement was executed and the date on which the term of this Rental Agreement expires; (b) the amount of the minimum monthly rent; (c) the date to which rent has been paid; (d) the fact that this Rental Agreement is in full force and effect; (e) that all required contributions by Landlord for improvements to the Premises have been made (or if not made, the nature of any outstanding required contributions by Landlord); (f) that Landlord is not in default under the Rental Agreement (or if Landlord is in the default, the nature of the default); and (g) that Tenant is not entitled to any offset or deduction with respect to rent payable pursuant to this Rental Agreement (or if Tenant is so entitled, the amount and nature of such right of offset or deduction).

26. Waiver, Voluntary Acts

No waiver of any default shall constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent pursuant to this Rental Agreement shall not constitute a waiver of any preceding default by Tenant other than default in the payment of the particular rental payment.

27. First and Second Payments of Rent

Upon signing of this Rental Agreement and prior to occupancy, Tenant shall pay Landlord the amount of **Four Thousand Two Hundred U.S. Dollars (U.S. \$ 4,200.00)** which is payment for the rent due for the first month of this Rental Agreement and a deposit against the last month of this Rental Agreement. As specified in Sections 3.1 and 3.2, rent for the second month of this Rental Agreement is due by U.S. mail on or before October 5, 1994.

28. Securing and Premises Keys

Tenant is solely responsible for the Premises security, as set forth in Paragraph 9.1. Landlord shall initially provide sufficient keys to the Premises locks, to Tenant's satisfaction. Additional keys and any locksmith work thereafter are at the sole cost and expense of Tenant. Any security improvements are subject to Paragraph 7.

29. Premises Improvements by Landlord

Upon Tenant's signing this Rental Agreement and paying Landlord the U.S. \$ 4,200.00 as specified in Paragraph 27, Landlord shall reasphalt the Premises' truck door driveway.

30. Landlord's Notice of Cancellation

Landlord may cancel this month-to-month rental agreement at any time. After a written cancellation notice has been delivered to Tenant, Tenant shall have 45 days to vacate the property. If Tenant does not vacate the property within 45 days, Landlord will enter and retake Premises or other spaces used by Tenant, at Tenant's expense. Following the 45 day period to vacat, if Tenant has not removed all Tenant's property or property under Tenant's care, custody and control, said property may become Landlord's property, at Landlord's sole discretion, with all rights of ownership.

JONES WASHINGTON
STEVEDORING COMPANY

By 
Its Exec. Vice President

(LANDLORD CORPORATE SEAL)

SOUND DELIVERY SERVICE

By 
Its President


(TENANT CORPORATE SEAL)

NOTARIZED ACKNOWLEDGMENT FOR LANDLORD

State of Washington)
) ss
County of King)

On this 30th day of AUGUST, in the year 1994, before a Notary Public in and for said county and state, personally appeared FRANK AMATO, known by me to be the Exec Vice Pres of the JONES WASHINGTON STEVEDORING that executed the within instrument and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 30th day of AUGUST, 1994.



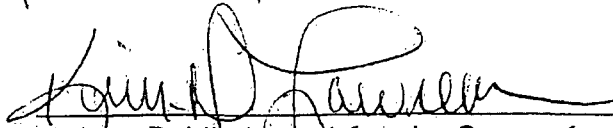
Notary Public in and for the State of
Washington residing at SEATTLE
My Commission expires 11-9-95

NOTARIZED ACKNOWLEDGMENT FOR TENANT

State of Washington)
) ss
County of King)

On this 29th day of August, in the year 1994, before a Notary Public in and for said county and state, personally appeared Jerry J. Lawrence, known by me to be the PRESIDENT of the Sound Delivery Service that executed the within instrument and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 29th day of Aug, 1994.



Notary Public in and for the State of
Washington residing at Seattle
My Commission expires 5-1-95

ROAD DESCRIPTIONS

Parcel A1 - 2-1-08 N.E. 1/4 of Section 30, Township 24 North, Range 6 East, W.M., in King County, Washington, described as follows:

Beginning at the Northwest corner of Outlands Highland View Addition to the City of Seattle, according to the plat recorded in volume 23 of plates, page 13, in King County, Washington; thence North 85°00'39" East 792 feet; thence South 19° East 143.88 feet; thence North 33°15' East 397.3 feet, more or less, to the Easterly line of the County Road known as Detroit Avenue; thence South along said Easterly line to an intersection with a line which bears North 87°30' East from a point which is North 72°37'19" East 1403.16 feet from the Southwest corner of said Outlands Highland View Addition and the true point of beginning of the herein described tract; thence North 67°30' East 408.67 feet to the Westerly corner of the tract conveyed to the State of Washington for highway purposes by deed recorded under Auditor's File No. 3129171; thence due North 33.33 feet to a point of curvature; thence Northerly along the arc of a curve to the left having a radius of 328 feet, a distance of 436.47 feet; thence North 40°28' East 14.43 feet to the Southwesterly margin of West Marginal Way Southwest; thence Northwesterly along said Southwesterly margin 87.46 feet; thence South 38°07'43" West to the Easterly margin of Detroit Avenue Southwest; thence Southwesterly along said margin to the true point of beginning.

PANCL "B" (REVISED)

A portion of the southeast quarter of Section 30, Township 24 North, Range 6 East, W.M., in King County, Washington, described as follows:
Beginning at the Northwest corner of Outlands Highland View Addition to the City of Seattle according to the plat recorded in volume 23 of plates, page 13, in King County, Washington; thence North 85°00'39" East 792 feet; thence South 19° East 143.88 feet; thence North 33°15' East 397.3 feet, more or less, to the Easterly line of the County Road known as Detroit Avenue; thence South along said Easterly line to an intersection with a line which bears North 87°30' East from a point which is North 72°37'19" East 1403.16 feet from the Southwest corner of said Outlands Highland View Addition and the true point of beginning of the herein described tract; thence North 67°30' East 408.67 feet to the Southwest corner of the tract conveyed to the State of Washington for highway purposes by deed recorded under Auditor's File No. 3129171; thence due South, along the West margin of Primary State Highway No. 1-4, 11th Street to Junction 354 No. 1-4 approved July 23, 1937, 30.41 feet; thence South 68°30'15" West, 239.61 feet; thence North 22°30'11" West 1.30 feet; thence South 67°21'47" West 129.0 feet to the aforementioned Easterly margin of Detroit Avenue S.W.; thence along said margin North 26°11'16" West 21.01 feet to the true point of beginning.

Parcel C1

That portion of the Southeast Quarter of Section 30, Township 24 North, Range 6 East, W.M., in King County, Washington, described as follows:

Beginning at the Northwest corner of Outlands Highland View Addition to the City of Seattle, according to the plat recorded in volume 23 of plates, page 13, in King County, Washington; thence North 85°00'39" East 792 feet; thence South 19° East 143.88 feet; thence North 33°15' East 397.3 feet, more or less, to the Easterly line of the County Road known as Detroit Avenue; thence South along said Easterly line to an intersection with a line which bears North 87°30' East from a point which is North 72°37'19" East 1403.16 feet from the Southwest corner of said Outlands Highland View Addition; thence North 67°30' East 408.67 feet to the Westerly corner of the tract conveyed to the State of Washington for highway purposes by deed recorded under Auditor's File No. 3129171; thence due North 33.33 feet to a point of curvature; thence Northerly along the arc of a curve to the left having a radius of 328 feet a distance of 436.47 feet; thence North 40°28' East 14.43 feet to the Southwesterly line of West Marginal Way Southwest; thence Northwesterly along said Southwesterly line 87.46 feet to the true point of beginning; thence continuing Northwesterly along said Southwesterly line 171.67 feet; thence South 38°07'43" West 411.72 feet to the Easterly line of Detroit Avenue S.W.; thence Southwesterly along said Easterly line to a point which bears South 38°07'43" West from the true point of beginning; thence North 26°11'16" East 21.01 feet to the true point of beginning.